

Financial Outlook: Budget Update

June 22, 2009



Financial Outlook: Budget Update

Property Tax



Property Tax Revenue Update

- Best Estimate Letter received
 - Forecast projected a 7.5% decline in property values in the City
 - Actual decline in total value was 10.8%

Homestead Property

- 2008 Taxable Value = \$4.562 billion
 - SOH growth cap = .1%
 - Additional revenue = \$25,776
 - Millage rate of 5.65

Homestead Property

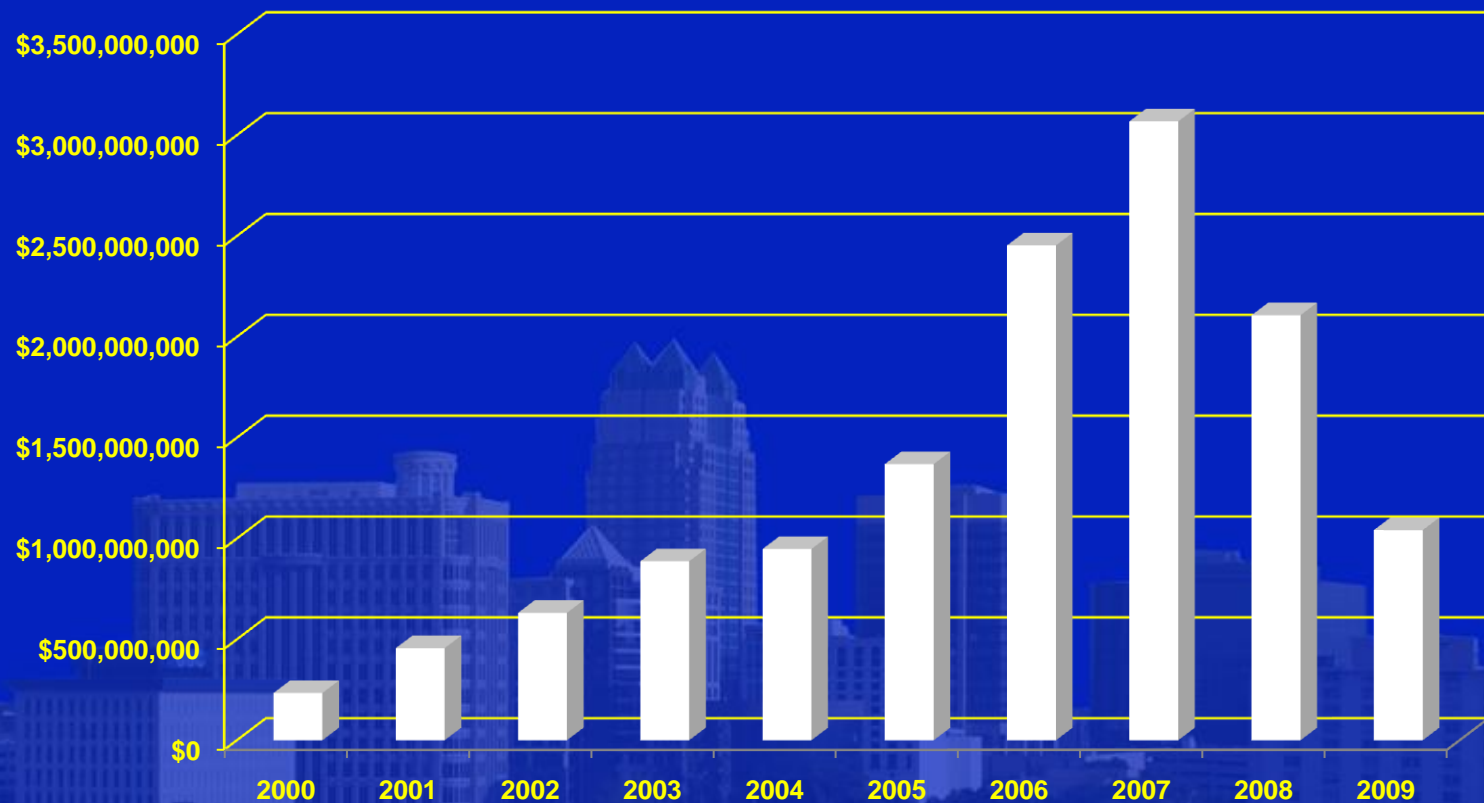
- 14.5% decline in taxable value

2008 \$4.562 billion

2009 \$3.899 billion

- \$662 million reduction in value
- Revenue loss at 5.65 = \$3.7 million

Save our Homes Savings



Homestead Property

<u>Average</u>	<u>2008</u>	<u>2009</u>	<u>Change</u>	<u>%</u>
Just Value	223,773	178,949	44,824	-20.0%
Adjusted Value	167,923	150,870	17,053	-10.2%
Taxable Value	120,896	105,060	15,836	-13.1%

Non-Homestead Property

- 11.8% decline in taxable value

2008 \$18.684 billion

2009 \$16.488 billion

- \$2.2 billion reduction in value
- Revenue loss at 5.65 = \$12.4 million

Property Tax History

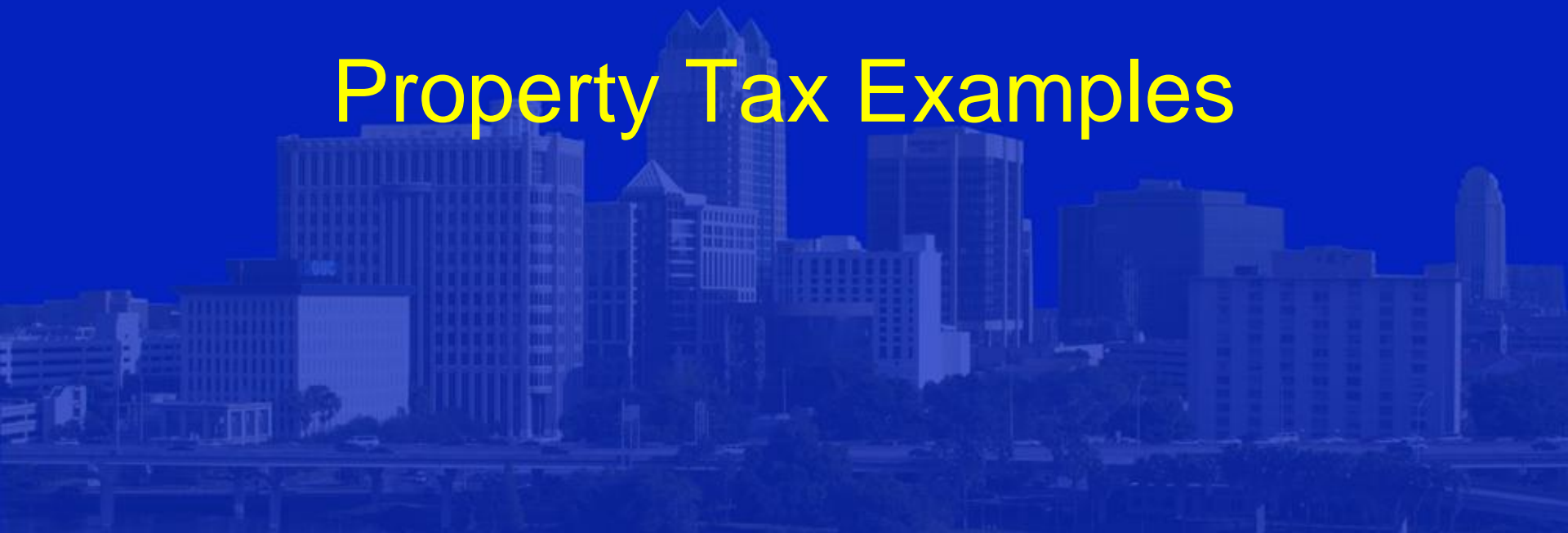
	<u>Actual Levies</u>		<u>Levies w/no 2008-09 Increase</u>	
	<u>Rate</u>	<u>Revenue</u>	<u>Rate</u>	<u>Revenue</u>
06/07	5.6916	116,111,767	5.6916	116,111,767
07/08	4.9307	119,387,019	4.9307	119,387,019
08/09	5.6500	138,134,138	4.9307	119,642,324
09/10	5.6500	122,380,400	4.9307	106,678,007

Estimated Millage Rates

- Current Rate 5.6500
 - “Rollup Rate” 6.6605
 - Adjusted For Pers. Income 6.8270
 - 2/3 Majority Maximum 7.5097
- Each .1 Mill Equals \$2.1 million

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Property Tax Examples



\$200k Residential Property

- Homestead
 - \$215k just value in 2009 / \$188k just value in 2010
 - SOH benefit dropped from \$74k to \$47k
 - City property taxes will increase 80 cents this year
- Non-Homestead
 - \$213k just value in 2009 / \$187k just value in 2010
 - City property taxes will decrease \$151 this year

\$1M Residential Property

- Homestead
 - \$1.4M just value in 2009 / \$1.3 just value in 2010
 - SOH benefit dropped from \$662k to \$520k
 - City property taxes will increase \$4.19 this year
- Non-Homestead
 - \$1.9M just value in 2009 / \$1.7M just value in 2010
 - City property taxes will decrease \$1,184 this year

Commercial Property

- Hotel
 - \$33.6M just value in 2009 / \$27.5M just value in 2010
 - City property taxes will decrease \$34,922 this year
 - City property taxes will be lower than they were in 2007



Financial Outlook: Budget Update

Other Revenue Sources



Business Tax

- **Fee levied on all businesses, trades and professions operating within the City**
- **Fees are due October 1 each year and expire on September 30 of the following year**
- **Florida Statutes authorize municipalities to increase fees up to 5% every other year**
- **A 5% increase occurred in June 2006**
- **No increase in Business Tax rates this year, but penalty and fee revenue budgeted for first time**

Business Tax

FY2008/2009 Revised Budget **7,180,000**

FY2009/2010 Projection **8,284,500**

Increase / (Decrease) **1,104,500**

Percentage Change **15.4%**

Sales Tax

- Revenue received from the Local Government Half-Cent Sales Tax
- Tax on retail sales is paid to the State by vendors and distributed back to the City based on a population-based formula
- Sales tax revenue is highly responsive to changes in economic conditions

Sales Tax

FY2008/2009 Revised Budget **26,311,832**

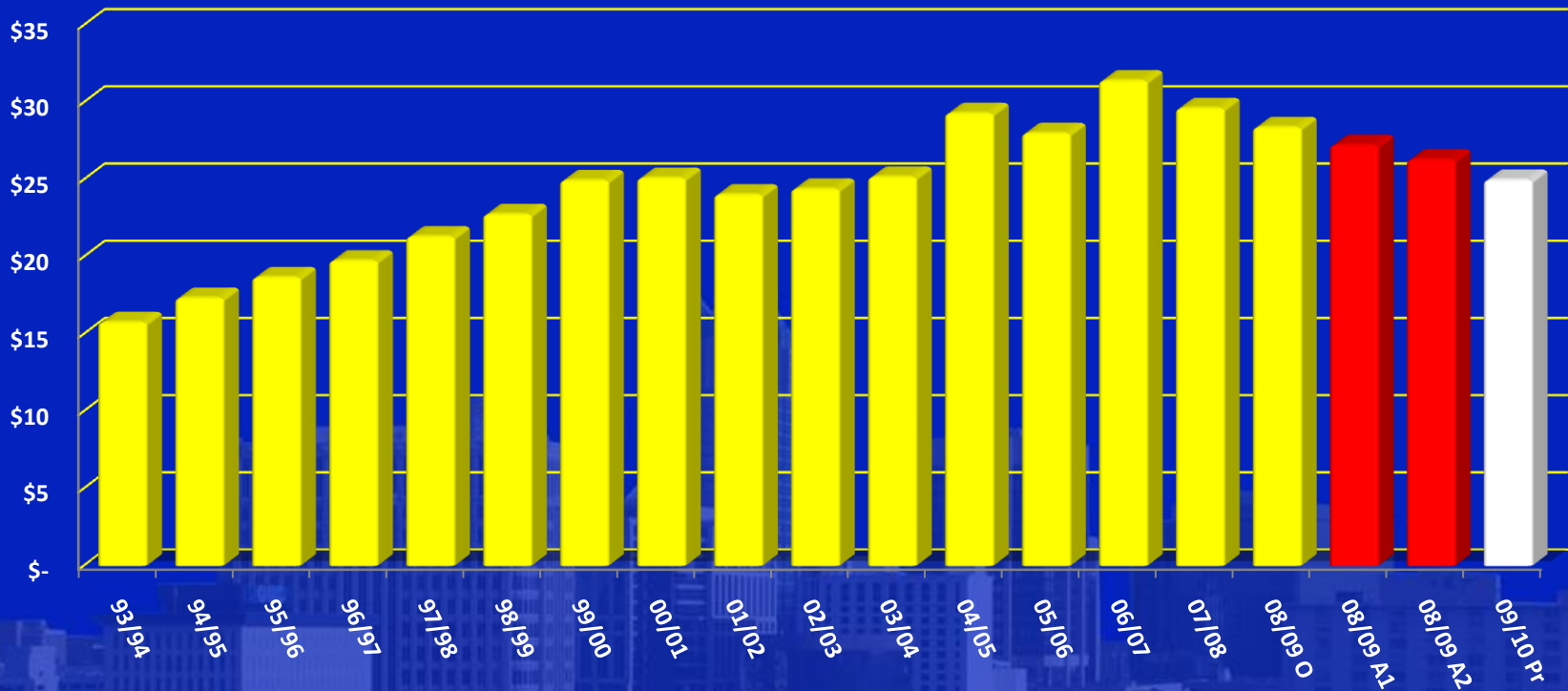
FY2009/2010 Projection **24,996,240**

Increase / (Decrease) **(1,315,592)**

Percentage Change **(5.0%)**

Sales Tax History

(in millions)



Revenue Sharing

- State revenue received from the Municipal Revenue Sharing Trust Fund. Sales and use taxes, municipal fuel tax, and the alternative fuel users decal fee are the revenue sources for the trust fund.
- Revenue is distributed based on a formula that considers population, sales tax collections, and relative ability to raise revenue. This formula was last modified in FY2004.

Revenue Sharing

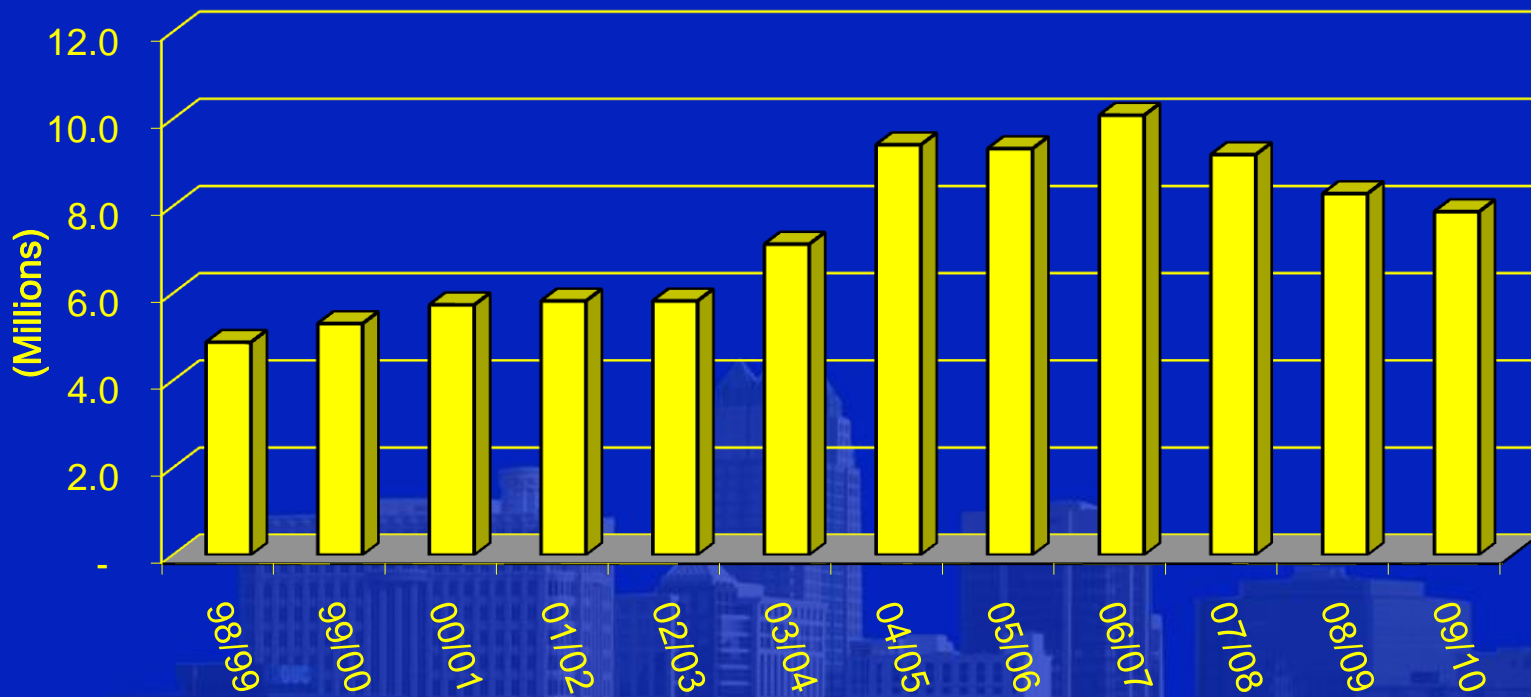
FY2008/2009 Revised Budget **8,288,513**

FY2009/2010 Projection **7,874,087**

Increase / (Decrease) **(414,426)**

Percentage Change **(5.0%)**

Revenue Sharing



Financial Outlook: Budget Update

Updated Budget Gap



Revenue

	<u>FY 2008/2009</u>	<u>FY 2009/2010</u>	<u>Difference</u>
Ad Valorem Taxes	\$138,134,138	\$122,380,400	\$(15,753,738)
Utilities Services Tax	45,308,404	47,663,011	2,354,607
Charges for Services	14,575,880	10,589,537	(3,986,343)
Business Taxes	7,180,000	8,284,500	1,104,500
Franchise Fees	32,306,585	34,555,000	2,248,415
Federal/State Revenue	40,292,461	39,567,537	(724,924)
OUC Dividend	47,580,000	45,900,000	(1,680,000)
Other Revenue	<u>42,300,967</u>	<u>31,413,859</u>	<u>(10,887,108)</u>
Total	\$367,678,435	\$340,353,844	\$(27,324,591)

Expenses

(Prior to Department Budget Reductions)

	<u>FY 2008/2009</u>	<u>FY 2009/2010</u>	<u>Difference</u>
Executive Offices	\$ 20,859,780	\$ 21,378,234	\$ 518,454
Business & Financial Svcs.	28,940,228	29,699,893	759,665
Economic Development	14,765,702	15,140,384	374,682
Families, Parks & Rec.	28,218,742	29,409,238	1,190,496
Fire	75,716,310	83,752,441	8,036,131
Housing & Community Dev.	310,380	385,358	74,978
Orlando Venues	421,248	444,552	23,304
Police	111,685,253	122,329,822	10,644,569
Public Works	10,332,963	11,048,376	715,413
Transportation	12,162,374	12,354,960	192,586
Debt Service	14,709,409	17,294,141	2,584,732
Nondepartmental	49,556,046	38,694,326	(10,861,720)
Total	\$367,678,435	\$381,931,725	\$ 14,253,290

Budget Gap

	<u>FY 2008/2009</u>	<u>FY 2009/2010</u>	<u>Difference</u>
Revenue	\$367,678,435	\$340,353,844	\$(27,324,591)
Expenses	<u>367,678,435</u>	<u>381,931,725</u>	<u>14,253,290</u>
Gap	\$ 0	\$ (41,577,881)	\$ (41,577,881)

Financial Outlook: Budget Update

Nature of the Gap



Structural Deficit vs. Budget Deficit

- Budget Deficits
 - Often unexpected
 - Result of one-time or short-term occurrences
- Structural Deficit
 - Persistent
 - Result of long-term conditions and decisions

One-Time or Short-Term Occurrences

- Declining revenue from slowing economy (i.e. sales tax)
- Costs incurred from natural disasters
- Increases in non-discretionary expenses (i.e. fuel and energy)
- Unanticipated one-time expenses

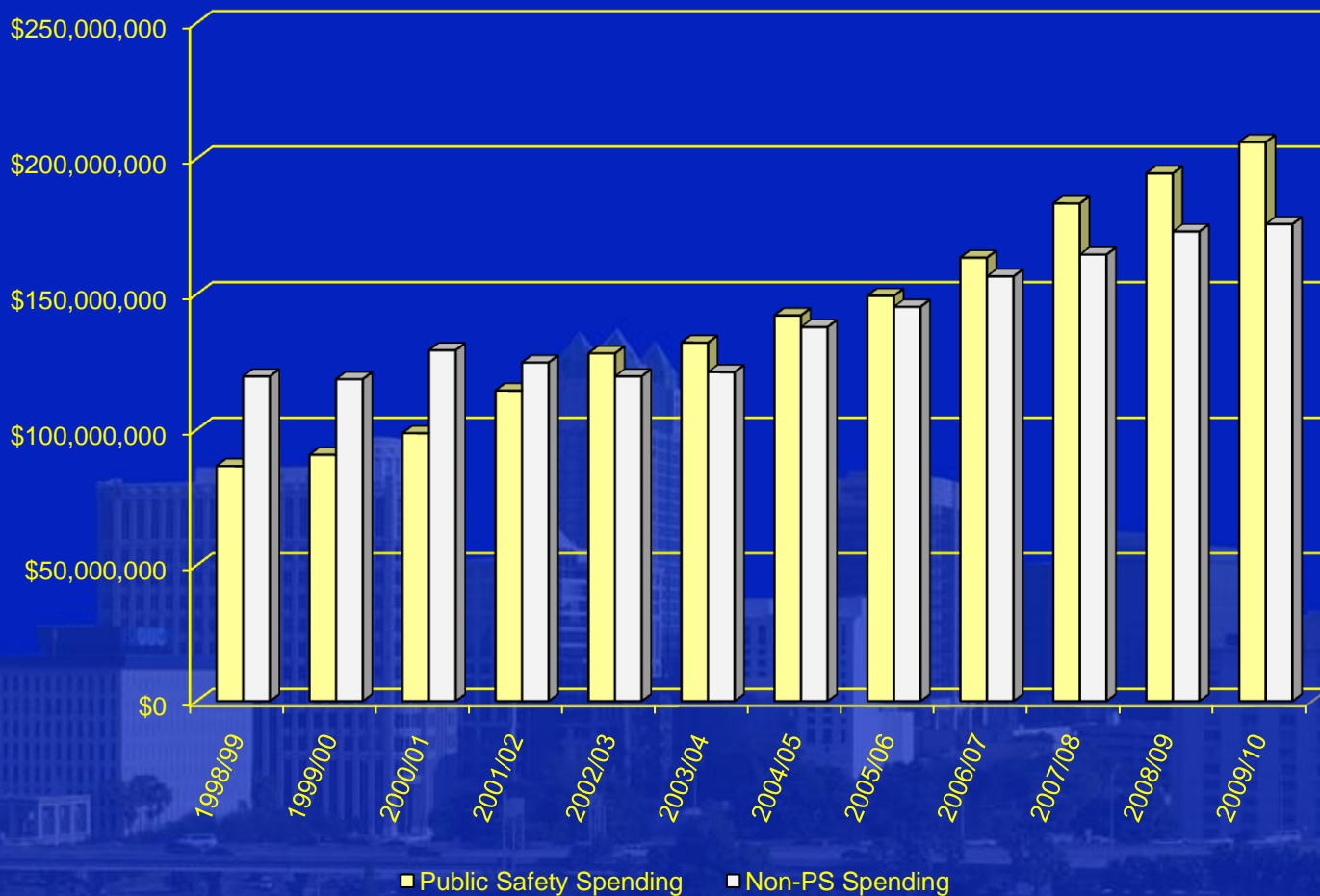
Solutions for One-Time or Short-Term Occurrences

- Use of reserves
- Rebates / dividends
- Release of encumbrances
- Expense deferrals
- Hiring freezes

Structural Deficit

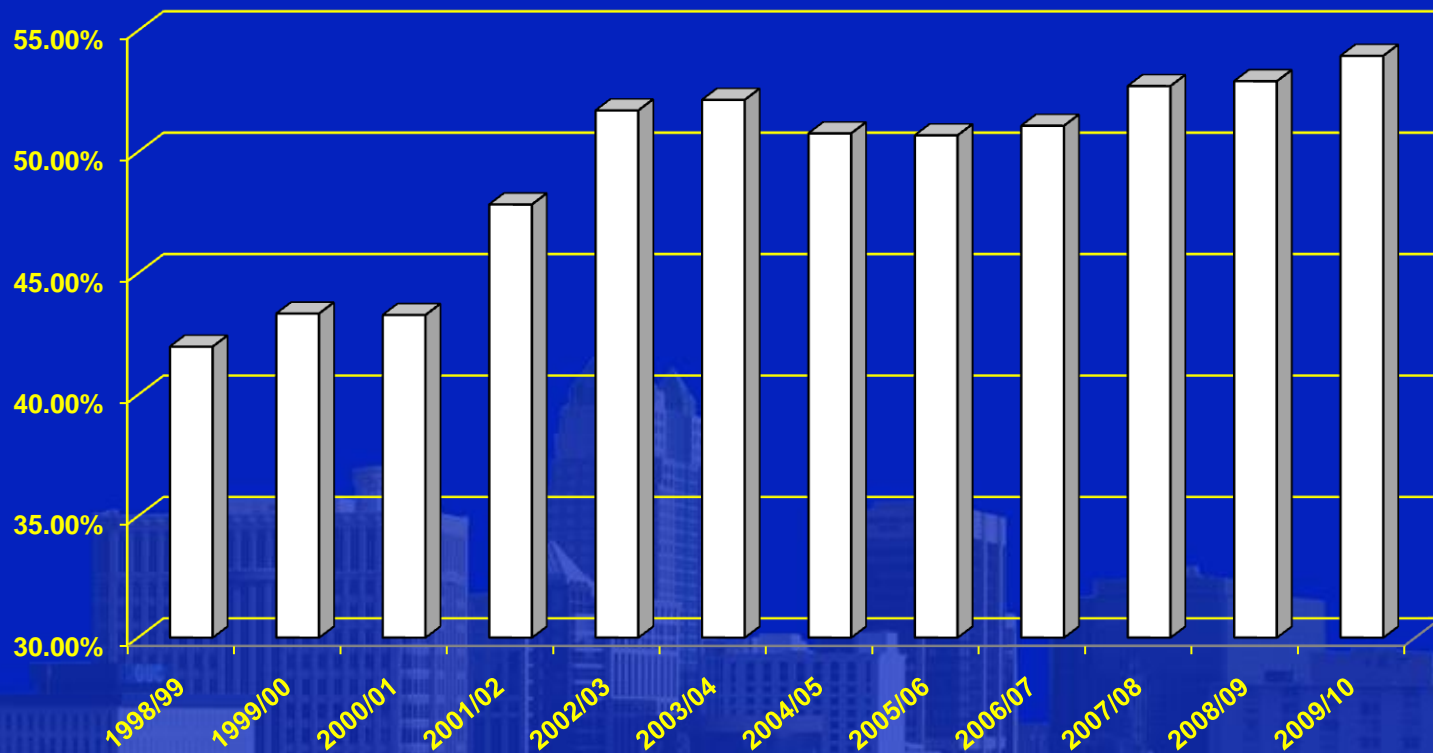
- Situation where ongoing expenses consistently exceed ongoing revenue
- Signs of structural deficit
 - Consistent unfunded needs (i.e. maintenance)
 - Over-reliance on a declining revenue base
 - Desire to meet needs of growing population
 - Growth in critical expenses outpaces revenue growth

Growth in Public Safety Spending



Increase in Core Services

(Public Safety Expenditures as % of General Fund)



Note 1: FY2009/10 as percentage of expenditures prior to budget balancing

Note 2: 2008-2009 Budgets are gross expenditure budgets before adjustment for attrition.

Future of Property Tax Revenue

- Homestead property value growth is capped at the maximum of 3% or the change in CPI, whichever is lower
 - FY2010 = .1%
- Non-Homestead property value growth is capped at 10%
 - Fall 2010 referendum to lower cap to 5%

Future of Property Tax Revenue

- Property tax revenue from increasing values is capped – we cannot rely on property value growth to generate additional revenue
- Each year we set the new floor
 - Years when property values decline adversely affect revenue in the future

Maximum Property Tax Growth Expectation

Millage rate = 5.65

	<u>Best Estimate</u>	<u>Max. Growth</u>	<u>Revenue</u>
Homestead (3%)	3,899,289,207	116,978,676	660,930
Non-Homestead (10%)	16,488,462,821	1,648,846,282	9,315,981
			9,976,911

• That's less than 3% on a budget of \$350 million

Maximum Property Tax Growth Expectation

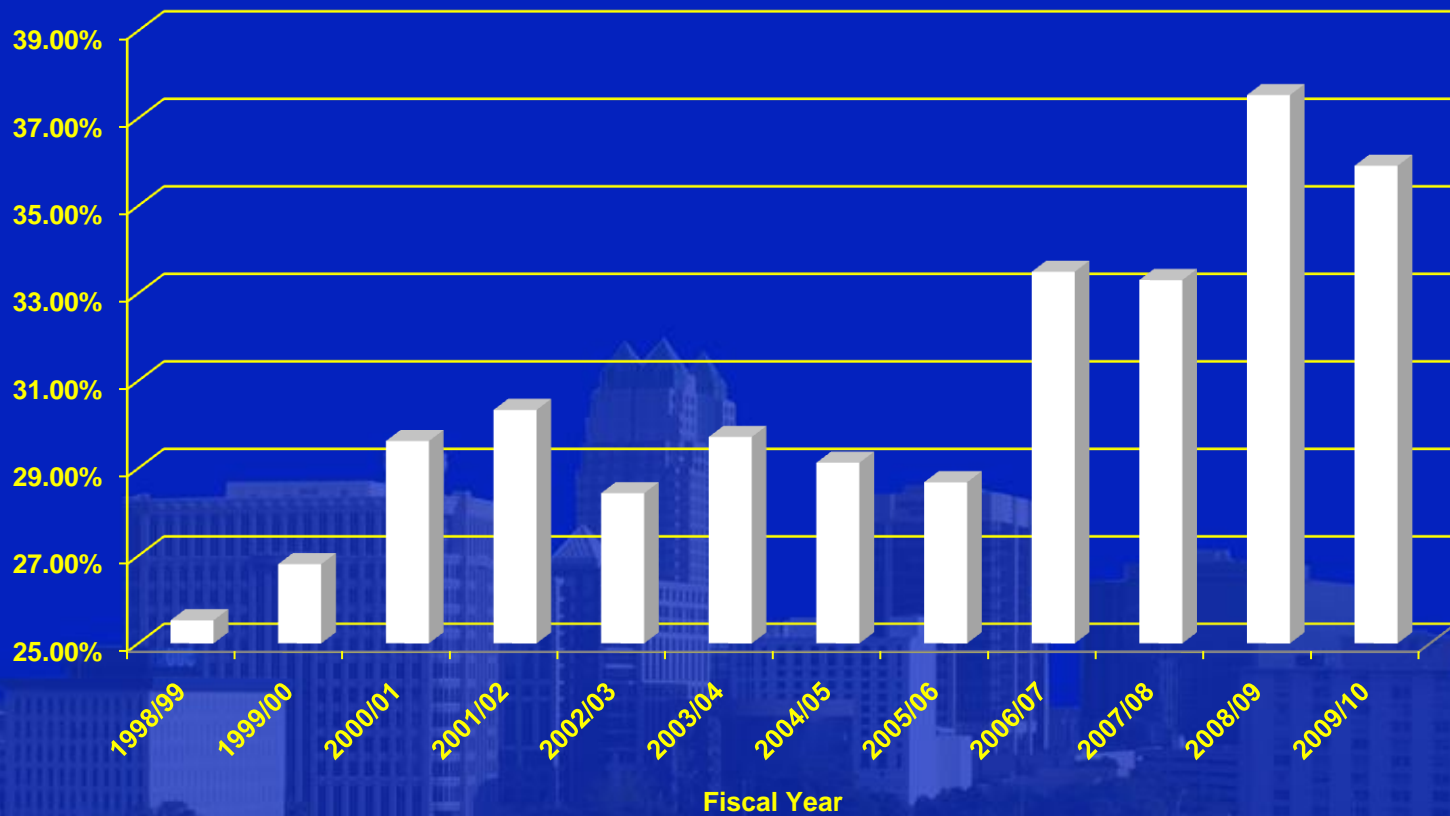
Millage rate = 5.65

	<u>Best Estimate</u>	<u>Max. Growth</u>	<u>Revenue</u>
Homestead (3%)	3,899,289,207	116,978,676	660,930
Non-Homestead (5%)	16,488,462,821	824,423,141	4,657,991
			5,318,920

• That's 1.5% on a budget of \$350 million

Structural Deficit: Revenue Reliance

(Property Tax Revenue as % of General Fund)



Other Considerations

- We have limited revenue enhancement capability
- We are wringing out budget flexibility—Non-Public Safety cuts for all but 2 fiscal years since 2003
- Margins of error are becoming smaller; ability to address unexpected events is impaired.

Structural Deficit

- One-time solutions may bring a structural deficit into balance, but it does not solve it
- Revenue deficit will result in future budget shortfalls



Forecast

	<u>FY09/10</u>	<u>FY 10/11</u>	<u>FY 11/12</u>	<u>FY 12/13</u>	<u>FY 13/14</u>	<u>FY 14/15</u>
Total Sources	340,353,844	348,688,682	357,047,021	363,501,092	370,401,190	377,184,977
Total Uses	(381,931,725)	(423,021,956)	(444,951,147)	(464,197,747)	(487,963,123)	(512,579,381)
Surplus /(Deficit)	(41,577,881)	(74,333,274)	(87,904,126)	(100,696,655)	(117,561,934)	(135,394,403)

Any deficit not resolved in one fiscal year will carry forward to the next

Forecast Funded with Reserves

	<u>FY09/10</u>	<u>FY 10/11</u>	<u>FY 11/12</u>	<u>FY 12/13</u>	<u>FY 13/14</u>	<u>FY 14/15</u>
Total Sources	340,353,844	348,688,682	357,047,021	363,501,092	370,401,190	377,184,977
Total Uses	(381,931,725)	(423,021,956)	(444,951,147)	(464,197,747)	(487,963,123)	(512,579,381)
Use of Reserves	41,577,881	60,734,821	0	0	0	0
Stabilization Reserve	0	(8,300,000)	(8,300,000)	(8,300,000)	0	0
Fund Balance	0	(21,898,453)	(96,204,126)	(108,996,655)	(117,561,934)	(135,394,403)

Solutions for a Structural Deficit

- Realistic service expectations
- Targeted and focused expenditure reductions
- Straight forward discussion of cost
- Commitment to fund critical and desired City services at an appropriate level



Financial Outlook: Budget Update

Proposed Department Reductions

City Total

- \$34.0 million in reductions identified
- 342 positions eliminated
 - 222 filled
 - 120 vacant



General Fund

- \$30.3 million in reductions identified
- 275 positions eliminated
 - 186 filled
 - 89 vacant



Business and Financial Services

- \$3.5 million in reductions identified
- 35 positions eliminated
 - 27 filled
 - 8 vacant



Business and Financial Services

- Elimination of the night shift at the garage
- Reduction in City Hall maintenance and outsource mailroom operations
- Reduction in holiday decorations
- Outsource painting
- Greater reliance on contract TM services

Economic Development

- \$2.8 million in reductions identified
- 24 positions eliminated
 - 17 filled
 - 7 vacant



Economic Development

- Elimination positions in Building Fund
- Eliminate Ambassador program
- Position reduction in Business Development
- Freeze funding for Main Street program
- Freeze business assistance program
- Reduce funding for EDO's by 12%

Executive Offices

- \$1.9 million in reductions identified
- 9 positions eliminated
 - 9 filled
 - 0 vacant



Executive Offices

- Reorganization of the Internal Audit function
- Reduction in the use of outside attorneys
- Reduction to the MERITS program
- Elimination of internship program
- Reduction in grants to Community Organizations (12%)
- Voluntary staff furloughs in City Attorney's Office
- Reduction in the use of outside counsel

Appointed Official Concessions

- No cost of living adjustment
- No longevity payment
- Elimination of the medical reimbursement program
- 40 Hour furlough

– Total Savings = \$575k or 5.9% of payroll base

Families, Parks and Recreation

- \$2.2 million in reductions identified
- 19 positions eliminated
 - 1 filled
 - 18 vacant



Families, Parks and Recreation

- Reduce Green Up program
- Reduction in landscaping
- Reduction in irrigation cycles
- Reduction in mowing cycles
- Reduction in pool operating hours
- Reduced staffing in community centers
- Eliminate puppetry program

Fire Department

- \$7.5 million in reductions identified
- 72 positions eliminated
 - 47 filled
 - 25 vacant



Fire Department

- Elimination of 8 rescue units and 1 tower
 - Net of “Fourth Man” staffing
- Freeze vacant Deputy Chief position
- Extend useful life of apparatus
- Reduction in the number of reserve vehicles
- Reduce special teams pay

Orlando Venues

- \$1.4 million in reductions identified
- 6 positions eliminated
 - 6 filled
 - 0 vacant



Orlando Venues

- Eliminate Deputy Director
- Modifications to Citrus Bowl maintenance schedules
- Eliminate Public Art Coordinator position
- Closing Leu House
- Reduction of City-supported exhibits at the Mennello Museum



Police Department

- \$11.3 million in reductions identified
- 115 positions eliminated
 - 85 filled
 - 30 vacant



Police Department

- Automation of the report system
- Elimination of full staffing of mounted patrol
- Reduction in overtime (\$2 million)
- Elimination of 3rd year of Public Safety Initiative
 - COPS Hiring Grant
- Elimination of line-up pay

Public Works

- \$2.0 million in reductions identified
- 45 positions eliminated
 - 24 filled
 - 21 vacant



Public Works

- Eliminate downtown cleaning crew
- Reduction in mowing, edging and irrigation cycles
- Elimination of Supplemental Staff program
- Outsource line location service
- Reduce Water Conserv operating hours



Transportation

- \$1.4 million in reductions identified
- 17 positions eliminated
 - 6 filled
 - 11 vacant



Transportation

- Reduction in sign and pavement marking programs
- Position eliminations in traffic engineering and traffic planning programs





Financial Outlook: Budget Update

Proposed Budget Resolution

General Fund Reserves

(As of September 30, 2008)

	<u>General Fund</u>	<u>UST Fund</u>	<u>Hurricane Fund</u>	<u>Interlocal Reserve</u>	<u>Total</u>
Undesignated Fund Balance	70,822,442	24,906,228	8,778,749	\$7,500,000	112,007,419
FY2009 Budgeted Use	<u>(9,700,000)</u>	<u>0</u>	<u>0</u>		<u>(9,700,000)</u>
Total	61,122,442	24,906,228	8,778,749	\$7,500,000	102,307,419
Recommended Reserve (25%)					<u>92,809,542</u>
Reserves Above Recommended Minimum					9,497,877
Approved Budget					371,238,169

Closing the Gap

(in Millions)

Budget Gap	\$41.5
Proposed Budget Reductions	(30.3)
Use of Excess Reserves	(9.5)
Use of Reserves within 25% Level	(1.7)
Gap Remaining	\$0.0

•\$1.7 Million is 0.5% of budget and is less than the policy limit for using reserves for a budgetary event (3% maximum).

Financial Outlook: Budget Update

Next Steps



Voluntary Separation Program

- Approved by City Council on June 8
 - Election period closes July 10th
 - Employees must resign by July 31st
- Option 1
 - 2 years credit towards retiree health insurance
- Option 2
 - Health insurance coverage for 1 year
 - 4 Months severance

Voluntary Separation Program

- Statistics through June 19th
- 62 Voluntary Separation applications received
 - Option 1 = 2
 - Option 2 = 60
- Applications by pension plan
 - Defined Benefit = 13
 - Defined Contribution = 49
- 30 of the 62 of the applicants have less than 3 years City service

Revenue Forecast Updates

- Incorporate any revised estimates from the State on sales tax and municipal revenue sharing
- Certified tax roll from Property Appraiser



Commissioner Briefings

- Available for special briefings for each commissioner individually
- Briefings should be completed by July 13



July 13, 2009

- Mayor's Budget Message
- Budget Update
- Adoption of proposed millage rate



September 14th and 21st

- Public hearings on the budget and proposed millage rate
- Formal adoption of the budget and millage rate

